

**FCC Form 481 - Carrier Annual Reporting  
Data Collection Form**

FCC Form 481

OMB 3060-0986

OMB 3060-0819

Avg. Burden Estimate per Respondent: 20 Hours

<010> Study Area Code	679001
<015> Study Area Name	AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY, INTEREXCHANGE CARRIER DIVISION
<020> Program Year	2015
<030> Contact Name: Person USAC should contact with questions about this data	CHRIS DANIELSON
<035> Contact Telephone Number: Number of the person identified in data line <030>	684-699-1121
<039> Contact Email: Email of the person identified in data line <030>	CHRIS.DANIELSON@ASTCA.NET

ANNUAL REPORTING FOR ALL CARRIERS			54.313 Completion Required	54.422 Completion Required
(check box when complete)				
<100> Service Quality Improvement Reporting	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<200> Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<210> <input type="checkbox"/> <-- check box if no outages to report				
<300> Unfulfilled Service Requests (voice)	<input type="text" value="0"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<310> Detail on Attempts (voice)	(attach descriptive document)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<320> Unfulfilled Service Requests (broadband)	<input type="text" value="0"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<330> Detail on Attempts (broadband)	(attach descriptive document)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<400> Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<410> Fixed	<input type="text" value="0"/>			
<420> Mobile	<input type="text" value="0"/>			
<440> Number of Complaints per 1,000 customers (broadband)		<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<450> Fixed	<input type="text"/>			
<450> Mobile	<input type="text"/>			
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<510>	(attach descriptive document)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<600> Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<610>	(attach descriptive document)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<700> Company Price Offerings (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<710> Company Price Offerings (broadband)	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<800> Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<900> Tribal Land Offerings (Y/N)?	(if yes, complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<1000> Voice Services Rate Comparability	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<1010>	(attach descriptive document)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<1100> Terrestrial Backhaul (Y/N)?	(if not, check to indicate certification)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<1110>	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

**Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet**

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<2005>	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet**

<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

**(100) Service Quality Improvement Reporting  
Data Collection Form**

 FCC Form 481  
 OMB Control No. 3060-0986  
 OMB Control No. 3060-0819  
 April 2014

<010>	Study Area Code	679001
<015>	Study Area Name	AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY, INTEREXCHANGE CARF
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	CHRIS DANIELSON
<035>	Contact Telephone Number - Number of person identified in data line <030>	684-699-1121
<039>	Contact Email Address - Email Address of person identified in data line <030>	<a href="mailto:CHRIS.DANIELSON@ASTCA.NET">CHRIS.DANIELSON@ASTCA.NET</a>

<110>	Has your company received its ETC certification from the FCC?	(yes / no )	NO
If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC?			
<111>		(yes / no )	N/A

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

N/A

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which receives only frozen support, your progress report is only required to address voice telephony service

N/A

Name of Attached Document (.pdf)

Please check these boxes below to confirm that the attached PDF, on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

N/A

<113>	Maps detailing progress towards meeting plan targets	<input type="checkbox"/>
<114>	Report how much universal service (USF) support was received	<input type="checkbox"/>
<115>	How (USF) was used to improve service quality	<input type="checkbox"/>
<116>	How (USF) was used to improve service coverage	<input type="checkbox"/>
<117>	How (USF) was used to improve service capacity	<input type="checkbox"/>
<118>	Provide an explanation of network improvement targets not met in the prior calendar year.	<input type="checkbox"/>

[illegible]

## **ATTACHMENT 679001as510**

### **54.313(a)(5) Satisfaction of Consumer Protection and Service Quality Standards**

#### Consumer Protection

##### Voice and Broadband

American Samoa Telecommunications Authority, Interexchange Carrier Division (ASTCA IXC) complies with the requirements of 47 CFR Part 64 Subpart U, Customer Proprietary Network Information and the Federal Trade Commission Red Flag rules to prevent identity theft. A manual for each of those programs is in place and is part of the employees' handbook. Employee training is conducted annually and new hires are instructed on the programs as required by their job functions.

#### Service Quality Standards

##### Voice

ASTCA IXC complies with the service standards of the telecommunications industry in the Territory of American Samoa, including the telecommunication rules in A.S.A.C. Section 12.0601 et. seq. ASTCA IXC is committed to providing the highest quality service to its subscribers.

##### Broadband

ASTCA IXC complies with the service standards of the Telecommunications Industry established in the Territory of American Samoa. ASTCA IXC follows the service standards noted in NECA Tariff #5 and is committed to provide the highest quality service to its broadband customers.



ATTACHMENT 679001as610

54.313(a)(6) Ability to Remain Functional in Emergency Situations

Back-up Power

**American Samoa Telecommunications Authority, Interexchange Carrier Division (ASTCA IXC)** has the following back-up power capabilities: Switches - stand alone and/or host

- Switch Fagatogo - 250KW Generator, 2 each  
400 Gallons external tank 2 each - 40 hours backup  
Total - 80 hours back for standby generator Battery  
2400 Amp Hr - 16 hour back for batteries.
- Switch Satala- 100 KW Generator, 1 each 400 Gallons external  
tank 1 each - 70 hours backup Total - 70 hours  
back for standby generator Battery 1200 Amp Hr -  
16 hour back for batteries
- Switch Tafuna 150 KW Generator, 1 each 400 Gallons external  
tank 1 each - 60 hours backup Total - 60 hours  
back for standby generator Battery 2400 Amp Hr -  
24 hour back for batteries
- Switch Tau - 50 KW Generator, 2 each  
200 Gallons external tank 2 each - 50 hours backup  
Total - 100 hours back for standby generator Battery  
1200 Amp Hr- 30 hour back for batteries

Remote Central Offices

- Remote Office Ofu - 30 KW Generator, 2 each  
100 Gallons external tank 2 each - 55 hours backup  
Total - 110 hours back for standby generator  
Battery 1200 Amp Hr- 56 hour back for batteries.
- Remote Office Fagaitua 37 KW Generator, 1 each  
200 Gallons external tank 1 each - 80 hours backup  
Total - 80 hours back for standby generator Battery  
1200 Amp Hr - 36 hour back for batteries
- Remote Office Breakers Point - 50 KW Generator, 2 each  
200 Gallons external tank 2 each - 60 hours backup  
Total - 120 hours back for standby generator  
Battery 1200 Amp Hr - 36 hour back for batteries
- Remote Office Iliili 175 KW Generator, 1 each

400 Gallons external tank 1 each - 60 hours backup  
Total - 60 hours back for standby generator Battery  
1200 Amp Hr - 48 hour back for batteries

Remote Office Leone      37 KW Generator, 1 each  
200 Gallons external tank 1 each - 80 hours backup  
Total - 80 hours back for standby generator Battery  
1200 Amp Hr - 56 hour back for batteries.

Remote Office Olotele -    50 KW Generator, 2 each  
200 Gallons external tank 2 each - 60 hours backup  
Total - 120 hours back for standby generator  
Battery 1200 Amp Hr - 36 hour back for batteries

Subscriber carrier (DLC, AFC, OPM, etc.)

Carrier Loc. AFC Aunuu    20 KW Generator, 1 each  
150 Gallons tank 1 each - 100 hours backup Total  
- 100 hours back for standby generator Battery 600  
Amp Hr- 120 hour back for batteries

Network Interface Devices (NIDs) - Not Applicable

Ability to reroute traffic around damaged facilities: Ability to re-route available after BLAST Project.

Capability to manage traffic spikes resulting from emergency situations Ability to re-route available after BLAST Project.

## ATTACHMENT 679001as700

[illegible]

## ATTACHMENT 679001as800

[illegible]



**ASTCA IXC LIFELINE PDF (LINE 1210)**

**54.313 Lifeline customers MOU and additional toll charges**

Lifeline subscribers receive the same residential service as a regular subscriber, but at a reduced monthly recurring rate. Thus, lifeline subscribers have an unlimited number of local calling minutes. As for toll, lifeline subscribers, similar to every **American Samoa Telecommunications Authority (ASTCA LEC)** subscriber, are free to choose their own toll usage plans through IXCs that serve **ASTCA LEC**.

## Lifeline Program Information for ASTCA Customers

### What proof of eligibility do I need to provide?

You will be asked for proof of your eligibility by submitting a form signed under penalty of perjury that you receive benefits from and a copy of any dated document which verifies your participation in one of the qualifying programs. Proof of total household income may be required for income based qualification. Your Lifeline benefits will take effect when proof of eligibility is received.



## LIFELNE PROGRAM



Stay connected  
with the world



Discounted residential home phone service  
and discounted installation fees for qualifying  
customers.

### Lifeline Program

Lifeline is a government program that offers  
qualified low income households a discount on  
their monthly local telephone bill.

American Samoa Telecommunications Authority  
Lifeline and Link-Up Program  
[lifeline@astca.net](mailto:lifeline@astca.net)

ASTCA Executive Building  
Tafuna, American Samoa  
PO Box M, Pago Pago, AS 96799  
684-699-1121 Customer Service  
684-699-1121 Administration  
684-699-9026 Fax

American Samoa Telecommunications Authority  
[lifeline@astca.net](mailto:lifeline@astca.net)  
PO Box M  
Pago Pago, AS 96799

## Lifeline Program

### What is Lifeline?

**Lifeline** is a government program that offers qualified low income households a discount on their monthly local telephone bill. It is administered by the Universal Service Administrative Company or USAC.

You can learn more about the program online at <http://www.lifeline.gov>.

If you have any questions about your current billing, you can contact customer service at 699-1121 for assistance.

Find out more about Lifeline by visiting **ASTCA in Tafuna** and speaking to our **Lifeline Programs Customer Service Representative**.

Call 699-1121 to make an appointment or email us at [lifeline@astca.net](mailto:lifeline@astca.net), or just come in and speak with a representative.

Find out more online at:  
<http://www.lifeline.gov/>

### Lifeline - Some Restrictions

**Lifeline** can only be used for the primary telephone line in a household. You may purchase additional services available to a non-Lifeline customer. You must establish phone service prior to applying for the Lifeline discount. The name on the phone bill must match the name of the household member participating on the eligible program with the exception of the National School Lunch free Program.

### Lifeline - How much can I save?

You will save up to \$9.25 on your basic monthly bill.

### Lifeline - How do I find out if I'm eligible?

If you receive assistance from any of the following programs, you may be eligible to receive assistance under Lifeline and Link-Up.

Federal Public Housing Assistance, Supplemental Nutrition Assistance Program, Medicaid, WIC, Low Income Home Energy Assistance Program (LIHEAP), Supplemental Security Income (SSI), and others.

### Lifeline Savings

Lifeline will credit your qualifying phone line account with up to \$9.25 each month. A potential savings of over \$100 per year.

### How Do I Sign-up?

Qualifying and signing up for the Lifeline assistance program is simple and begins with speaking with our Lifeline program Customer Service Representative at our offices in Tafuna. Bring with you any paperwork from the Department of Human and Social Services showing your participation in one of the qualifying programs.

### You need to know...

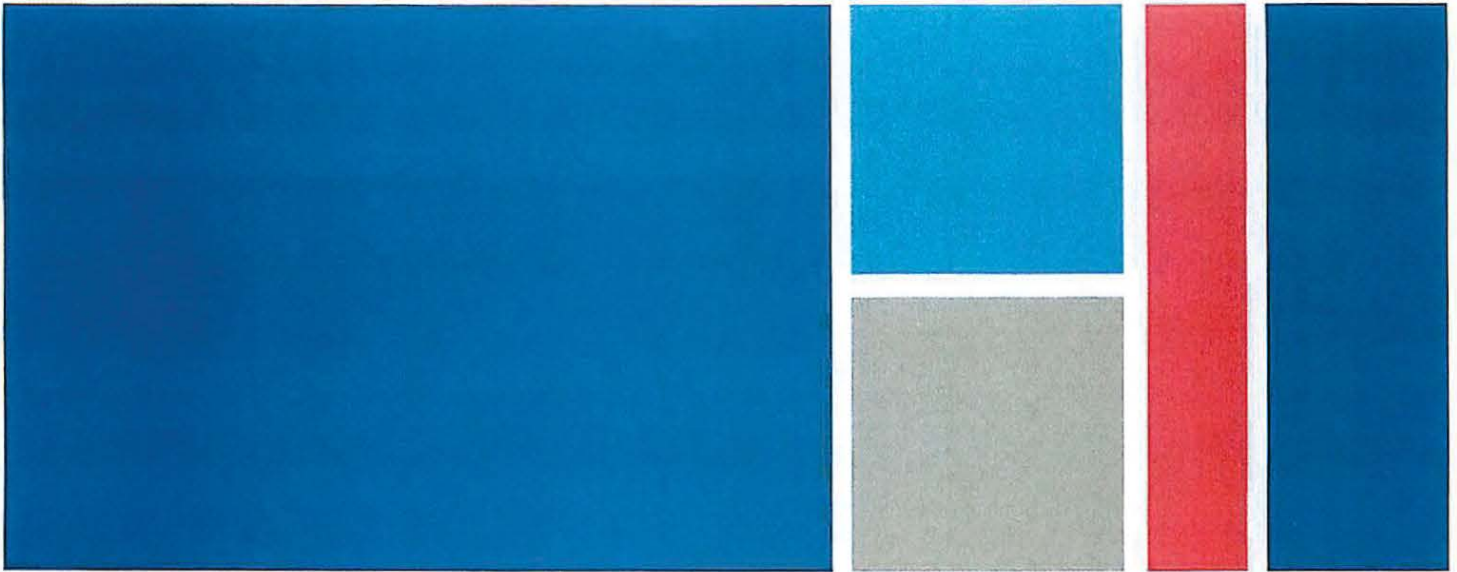
Being a Lifeline customer does not protect you from being disconnected if you fail to pay your telephone bill.

Lifeline discounts cannot be applied to an outstanding balance owed to your phone company.

Lifeline can only be applied to one wireless OR wireline telephone per household.

**To report a problem with your Lifeline telephone line, dial 611 from any ASTCA handset or landline, or call customer service at 699-1121.**

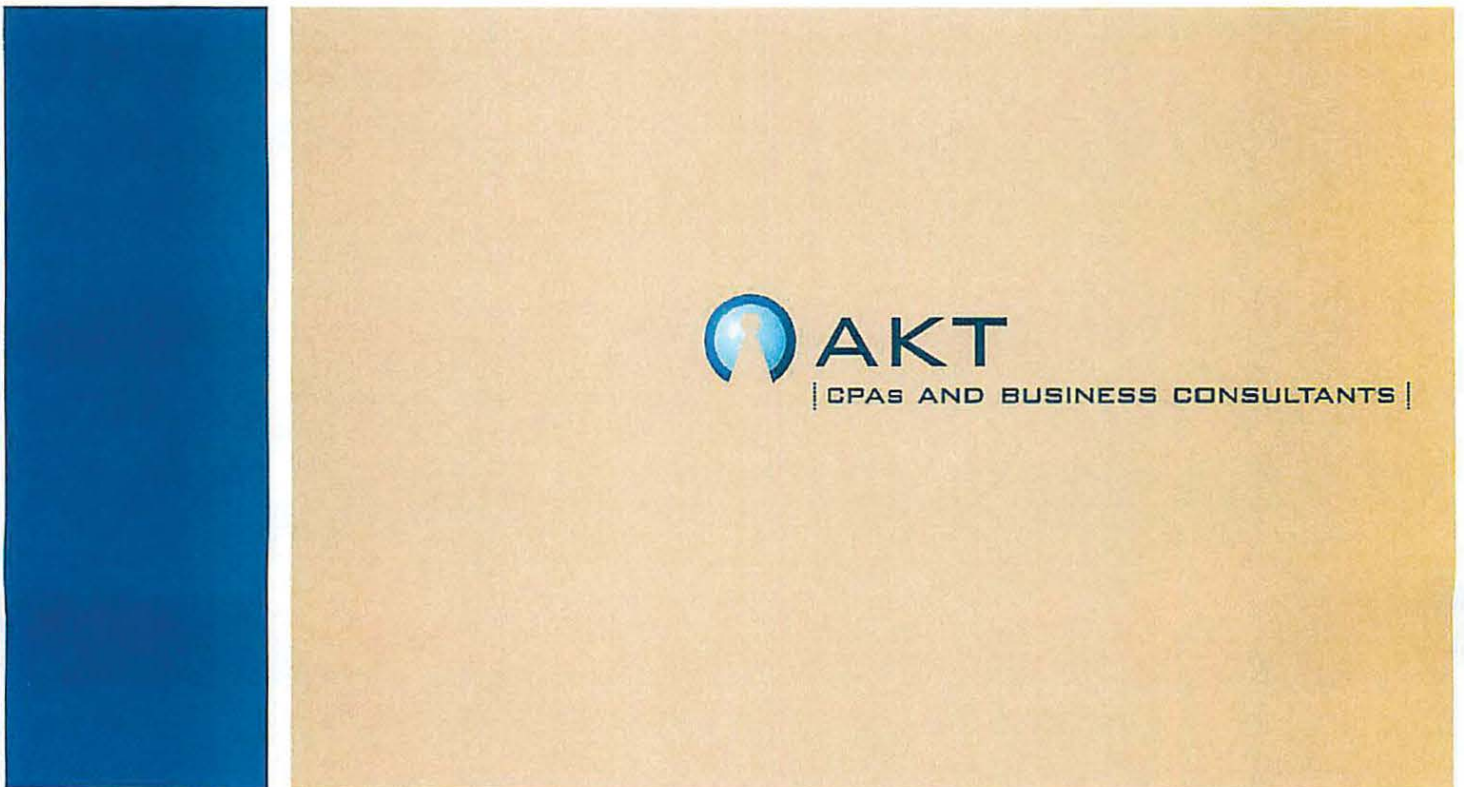




**AMERICAN SAMOA  
TELECOMMUNICATIONS AUTHORITY**  
(A COMPONENT UNIT OF AMERICAN SAMOA GOVERNMENT)

**Financial Statements**

*Years Ended September 30, 2013 and 2012*



 **AKT**  
| CPAs AND BUSINESS CONSULTANTS |

# **AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY**

*(A Component Unit of American Samoa Government)*

## **Financial Statements**

**Years Ended September 30, 2013 and 2012**

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**AKT**

CPAS AND BUSINESS CONSULTANTS

Personal. Local. Global.

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
American Samoa Telecommunications Authority  
Pago Pago, American Samoa

### Report on the Financial Statements

We have audited the accompanying financial statements of American Samoa Telecommunications Authority (ASTCA), a component unit of American Samoa Government, as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Samoa Telecommunications Authority, as of September 30, 2013 and 2012, and the changes in its financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

ASTCA has not presented a report on Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statement is not affected by this missing information.

680 HAWTHORNE AVENUE SE, #140, SALEM, OR 97301

PHONE: 503.585.7774 FAX: 503.364.8405

PORTLAND, OR | SALEM, OR | CARLSBAD, CA | ESCONDIDO, CA | SAN DIEGO, CA | ANCHORAGE, AK

AKT LLP



*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2014, on our consideration of the ASTCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ASTCA's internal control over financial reporting and compliance.

***AKT LLP***

Salem, Oregon  
May 7, 2014

**AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY***(A Component Unit of American Samoa Government)***Balance Sheets**

September 30, 2013 and 2012

<b>ASSETS</b>	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash and cash equivalents	\$ 2,523,368	\$ 2,480,629
Accounts receivable, less allowance for doubtful accounts of \$779,987 (\$1,099,301 in 2012)	5,479,720	4,789,892
Materials and supplies	411,954	560,218
Prepaid expenses	<u>137,191</u>	<u>115,759</u>
Total Current Assets	<u>8,552,233</u>	<u>7,946,498</u>
Property, Plant, and Equipment:		
Property, plant, and equipment in service	55,415,471	56,389,032
Construction in progress	25,460,892	16,945,527
Accumulated depreciation	<u>(33,989,870)</u>	<u>(39,989,461)</u>
Property, Plant, and Equipment, net	<u>46,886,493</u>	<u>33,345,098</u>
Other Assets, net	<u>1,004,592</u>	<u>1,036,326</u>
	<u><u>\$ 56,443,318</u></u>	<u><u>\$ 42,327,922</u></u>
<b>LIABILITIES AND NET POSITION</b>		
Current Liabilities:		
Current portion of long-term debt	\$ 152,329	\$ 34,475
Accounts payable	2,403,525	2,594,012
Customer deposits	231,040	282,966
Accrued expenses	<u>686,809</u>	<u>870,639</u>
Total Current Liabilities	<u>3,473,703</u>	<u>3,782,092</u>
Deferred Grant Revenue	18,197,749	5,042,480
Long-Term Debt	<u>1,964,747</u>	<u>497,465</u>
Total Liabilities	<u>23,636,199</u>	<u>9,322,037</u>
Net Position:		
Invested in capital assets, net of related debt	44,769,417	32,813,158
Net position - unrestricted	<u>(11,962,298)</u>	<u>192,727</u>
Total Net Position	<u>32,807,119</u>	<u>33,005,885</u>
	<u><u>\$ 56,443,318</u></u>	<u><u>\$ 42,327,922</u></u>

See accompanying notes to financial statements.

**AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY***(A Component Unit of American Samoa Government)***Statements of Revenues, Expenses, and Changes in Net Position****Years Ended September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Operating Revenue	\$ <u>18,438,254</u>	\$ <u>18,842,440</u>
Operating Expenses:		
Personnel	3,276,846	3,631,445
Operations and maintenance	11,156,758	11,388,512
Bad debt expense	490,842	61,495
Depreciation and amortization	<u>3,145,824</u>	<u>2,920,755</u>
Total Operating Expenses	<u>18,070,270</u>	<u>18,002,207</u>
Operating Income	<u>367,984</u>	<u>840,233</u>
Other Income (Expense):		
PILOT	(1,100,000)	(1,100,000)
Other income	547,886	-
Other expense	<u>(14,636)</u>	<u>(14,351)</u>
Total Other Income (Expense)	<u>(566,750)</u>	<u>(1,114,351)</u>
Change in Net Position	(198,766)	(274,118)
Net Position, beginning	<u>33,005,885</u>	<u>33,280,003</u>
Net Position, ending	\$ <u><u>32,807,119</u></u>	\$ <u><u>33,005,885</u></u>

**AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY***(A Component Unit of American Samoa Government)***Statements of Cash Flows**

Years Ended September 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities:		
Cash received for services	\$ 17,753,544	\$ 20,178,687
Cash paid to suppliers	(11,220,412)	(10,804,513)
Cash paid to employees	(3,460,676)	(3,498,512)
Cash paid for payment in lieu of taxes	(1,100,000)	(1,100,000)
Net Cash Provided by Operating Activities	<u>1,972,456</u>	<u>4,775,662</u>
Cash Flows from Capital and Related Financing Activities:		
Capital expenditures	(16,655,486)	(7,319,604)
Proceeds on long-term debt, net	1,585,136	227,659
Proceeds from grants received	13,155,269	2,037,054
Interest paid on long-term debt	(14,636)	(14,351)
Net Cash Used by Capital and Related Financing Activities	<u>(1,929,717)</u>	<u>(5,069,242)</u>
Net Increase (Decrease) in Cash	42,739	(293,580)
Cash and Cash Equivalents, beginning	<u>2,480,629</u>	<u>2,774,209</u>
Cash and Cash Equivalents, ending	<u>\$ 2,523,368</u>	<u>\$ 2,480,629</u>
Cash Flows from Operating Activities:		
Operating income	\$ 367,984	\$ 840,233
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	3,145,824	2,920,755
PILOT	(1,100,000)	(1,100,000)
Nonregulated revenues	547,886	-
Changes in assets and liabilities:		
Accounts receivable	(689,828)	1,522,298
Materials and supplies	148,264	(240,843)
Prepaid expenses	(21,431)	(3,235)
Accounts payable	(190,487)	828,077
Customer deposits	(51,926)	(124,556)
Accrued expenses	(183,830)	132,933
Net Cash Provided by Operating Activities	<u>\$ 1,972,456</u>	<u>\$ 4,775,662</u>

## **AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY**

*(A Component Unit of American Samoa Government)*

### **Notes to Financial Statements**

**Years Ended September 30, 2013 and 2012**

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#### **Note 1 - Reporting Entity and Basis of Presentation and Summary of Significant Accounting Policies**

##### Reporting Entity and Basis of Presentation

The American Samoa Telecommunications Authority (ASTCA), which provides telecommunication services for the Islands of American Samoa, was formally established through an executive order of the Governor of American Samoa, signed on January 9, 1998. Prior to that date, ASTCA was operated as an enterprise fund of the American Samoa Government (ASG). The separate, semiautonomous telecommunications authority operates under a Board of Directors appointed by the Governor, and was established to comply with Federal Communications Commission (FCC) rules and regulations.

ASTCA is a component unit of the ASG reporting entity and is accounted for as a single proprietary fund. ASTCA's financial statements are presented on an economic resources measurement focus and accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. With the flow of economic resources measurement focus, all assets and all liabilities associated with ASTCA's operations are included on the balance sheets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred, regardless of the timing of the related cash flows. ASTCA distinguishes operating revenues and expenses from nonoperating items. Operating activities are principally revenues from providing telecommunications services and expenses related to providing those services, including the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ASTCA has not presented a report on Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

##### Cash and Cash Equivalents

ASTCA considers all highly liquid investment securities with a maturity of three months or less to be cash equivalents. ASTCA maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits, which is generally \$250,000 per account holder, per bank. ASTCA had uninsured deposits of \$2,446,860 on September 30, 2013 (\$2,262,165 at September 30, 2012). ASTCA has not experienced any losses in such accounts and believes it has taken adequate measures to limit exposure to any significant risk on cash and cash equivalents.

##### Receivables

ASTCA requires a refundable deposit for telephone service that is used as collateral for accounts receivable. Credit risk associated with receivables is periodically reviewed by management and, if required, an allowance for doubtful accounts is established. The allowance for doubtful accounts is estimated based on an analysis of specific customers, taking into consideration the age of past due accounts and an assessment of the customer's ability to pay. Past due accounts were examined, resulting in current year write-offs that include uncollectible receivable balances for prior years. These write-offs are reflected in bad debt expense in the accompanying financial statements.

At December 31, 2012, a significant portion (10%) of the accounts receivable amount of \$4,789,892 was attributed to an amount owed of \$468,884, by the American Samoa Department of Education (DOE) for telecommunication services ASTCA provided DOE under the E-Rate program, which was 89% federally funded in 2013 and 2012. At December 31, 2013 the amount receivable from DOE for E-Rate was not significant.

## **AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY**

*(A Component Unit of American Samoa Government)*

### **Notes to Financial Statements**

**Years Ended September 30, 2013 and 2012**

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#### **Note 1 - Reporting Entity and Basis of Presentation and Summary of Significant Accounting Policies, continued**

##### Materials and Supplies

Materials and supplies are stated at the lower of average cost or market. Cost is determined principally by the average cost method.

##### Advertising

Advertising is expensed as incurred. Advertising expense was \$19,006 in 2013 (\$38,354 in 2012).

##### Property, Plant, and Equipment

At September 30, 2013, telecommunications plant in service and under construction is stated at cost, including direct and indirect labor, materials, freight, and an allocation of related overhead costs.

Depreciation on regulated telecommunications property and equipment is calculated on a straight-line basis over the estimated life of the classes of property and equipment in accordance with rates consistent with industry standards. Depreciation rates range from 1.80% to 33.36%. Costs of the retired plant are eliminated from plant accounts and such costs plus removal expenses, less salvage, are charged to accumulated depreciation. The cost of maintenance and repairs of property, plant, and equipment, including renewals of minor items of property, are charged to operations and maintenance.

Depreciation on non-regulated property and equipment is calculated on a straight-line basis over the estimated useful lives of the classes of property and equipment. Asset lives range from 5 to 55 years. Maintenance, repairs, and replacements are charged to expense as incurred. When property and equipment is sold or otherwise disposed of, the asset account and the related accumulated depreciation accounts are relieved and any gain or loss is included in operations.

##### Other Assets

Other assets consists of four PCS spectrum licenses acquired by ASTCA in an FCC auction in May 2007, and two AWS-1 licenses and two PCS licenses purchased by ASTCA in September 2008. The licenses are being amortized on a straight-line basis over the useful lives, expiring in 2021 and 2026. Amortization expense was \$31,733 in 2013 (\$31,728 in 2012).

##### Deferred Grant Revenue

Deferred grant revenue consists of \$588,658 in 2013 (\$634,016 in 2012) from the U.S. Department of Agriculture, Rural Utilities Service Community Connect Grant for the community center project for the village of Ofu, located on a small island off the main island of American Samoa. Deferred grant revenue also includes \$17,609,091 (\$4,408,464 in 2012) for the Broadband Initiatives Program grant described in Note 10. The deferred revenue is being recognized over the useful lives of the assets associated with the projects. In 2013, \$45,358 was amortized from deferred grant revenue and recognized as revenue in the accompanying Statements of Revenues, Expenses, and Changes in Net Position (none in 2012).

##### Employee Benefits Accrual

Employees accrue annual leave at various rates between 4 and 8 hours per pay period. Rates vary based on longevity for career service employees. Contract employees' annual leave varies based on the terms of the contract. Employees may accrue annual leave but are not permitted to carry over more than 480 hours of annual leave from year to year. Exceptions to this limitation policy may be granted. Career service and contract employees accrue 4 hours of sick leave per pay period. Employees may accrue unlimited hours of sick leave. Certain eligible employees can earn compensatory time for hours worked in excess of the standard 8 hour day. Balances in excess of 120 hours are paid out to employees semiannually in June and December, at the discretion of ASTCA's Director. At separation of service, the employee is paid for all accumulated unused annual leave and half of accumulated unused sick leave in excess of 239 hours.



## **AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY**

*(A Component Unit of American Samoa Government)*

### **Notes to Financial Statements**

**Years Ended September 30, 2013 and 2012**

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#### **Note 1 - Reporting Entity and Basis of Presentation and Summary of Significant Accounting Policies, continued**

##### **Risk Management**

ASTCA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; omissions; injuries to employees; and natural disasters.

ASTCA purchases commercial insurance to cover other risks. Auto insurance provides coverage up to \$100,000 per accident and \$100,000 per person for bodily injury at a premium of \$19,527 with no deductible. Public liability insurance provides coverage up to \$1,000,000 at an annual premium of \$1,500 with no deductible. ASTCA had coverage for theft of ARRA BIP grant funds of \$500,000 at an annual premium of \$9,250 with a \$10,000 deductible that expired in February 2012. This policy was renewed with an effective date of January 1, 2014, and now has an annual premium of \$15,000 with no deductible.

ASTCA also has limited coverage under ASG's "All Risks" property insurance policy. The policy covers ASTCA's property excluding communications transmission and distribution lines, poles, and vehicles.

##### **Worker's Compensation**

ASTCA provides worker's compensation coverage through National Pacific Insurance, Ltd. (NPI). ASTCA pays an annual premium in the amount of \$39,600 to NPI for coverage of all workers' compensation claims. The deductible consists of the first three days of disability unless the disability is for more than fourteen continuous days.

##### **Income Taxes**

ASTCA is not subject to Federal or local taxes on income or revenues.

##### **Estimates**

ASTCA uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

##### **Regulation**

On October 1, 1997, ASTCA filed a rate integration plan with the FCC. Accordingly, ASTCA has agreed to comply with FCC rules and regulations. As a result, the application of accounting principles generally accepted in the United States of America by ASTCA differs in certain respects from the application by nonregulated entities. Such differences primarily concern the time at which certain items enter into the determination of net income.

Regulatory actions as well as future regulations, including implementation of the FCC's National Broadband Plan and Report and Order and Further Notice of Proposed Rule Making, could have a significant impact on ASTCA's operations and financial condition.

In the absence of a public utility commission, ASTCA is subject to local regulations that are enforced by the Telecommunications Regulatory Commissioner.

##### **Network Access Revenues**

Network access revenue related to interstate toll service is received under a system of access charges. Access charges represent a methodology by which local telephone companies, including ASTCA, charge the long distance carrier for access and interconnection to local facilities. ASTCA has elected to file access tariffs through the National Exchange Carriers Association (NECA) for these charges. These access tariffs are subject to approval by the FCC.

## **AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY**

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### **Notes to Financial Statements**

**Years Ended September 30, 2013 and 2012**

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#### **Note 1 - Reporting Entity and Basis of Presentation and Summary of Significant Accounting Policies, continued**

##### Network Access Revenues, continued

When access service revenues have been received pursuant to the settlement and access agreements above, they are then either placed into a common pooling arrangement with other exchange carriers for redistribution or kept by ASTCA. The redistributions are made according to formulas established by the governing boards of the pool and are generally based upon expenses incurred and investment maintained.

ASTCA participates in pooling arrangements with NECA. Settlement, access, and pool distribution revenues are recorded when the amounts become determinable. Related expenses are recorded when incurred. Subsequent true-ups and retroactive adjustments, which are generally allowed for a period of 24 months after the close of the related calendar year, are recorded in the year in which such adjustments become determinable, based upon studies by an outside consultant.

In addition to recoveries from NECA, ASTCA also receives revenues from the Universal Service High Cost Loop Fund and other support mechanisms administered by the Universal Service Administrative Company (USAC). In September 2006, ASTCA's cellular division was granted competitive eligible telecommunication carrier (CETC) status and is eligible to receive support from USAC. The amount of support received from USAC is based on the number of customers served and the cost of providing service in that area being in excess of the national average cost per loop, as determined by the FCC. Those revenues, which total approximately \$820,016 for the year ended September 30, 2013, include reimbursement for certain eligible operating expenses plus a return on rate base (average regulated plant assets and working cash, adjusted for accumulated depreciation). For the year ended September 30, 2012, those revenues totaled \$970,598.

##### National Broadband Plan and FCC Order

In 2010 the FCC issued the National Broadband Plan which outlined a long-term plan to increase broadband penetrations and services throughout the United States of America. The plan further outlined a proposed long-term phase-out of access charges (referred to as Intercarrier Compensation) and a move to support mechanisms based on broadband services rather than the current Universal Service High Cost Loop Fund administered by USAC.

In response to the plan, on October 27, 2011 the FCC approved Report and Order 11-161 (the Order), that begins the process of reforming the universal service and intercarrier compensation (ICC) systems and adopts support for broadband-capable networks as an express universal service principle. The Order further creates the Connect America Fund which will ultimately replace all existing high-cost support mechanisms as well as help facilitate ICC reforms.

The key provisions of the order include:

- Capping the federal universal service fund at current levels
- Placing limitations on capital and operating spending
- Establishing local rate benchmarks
- Capping the per-line support amount for the universal service high cost loop fund at \$250 per month
- Phase out of local switching support and the establishment of the CAF for recovery of investment and expenses related to the provision of switching services
- Reforming the ICC system by adopting a plan to transition from access charges to a bill and keep framework. The transition period for rate-of-return carriers such as the Company is approximately 9 years from the date of the order
- Adoption of a monthly Access Recovery Charge as a transitional recovery mechanism to mitigate the impact of reduced intercarrier revenues

# AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY

(A Component Unit of American Samoa Government)

## Notes to Financial Statements

Years Ended September 30, 2013 and 2012

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### Note 1 - Reporting Entity and Basis of Presentation and Summary of Significant Accounting Policies, continued

#### National Broadband Plan and FCC Order, continued

The Order was effective December 29, 2011 and implementation began July 1, 2012. As of September 30, 2013, ASTCA has not passed the ARC fee on to its customers.

As of the implementation date, ASTCA is subject to the 5% annual decline in the interstate switched access revenue requirement for the local exchange carrier operations, during the transition period. For the period ending September 30, 2013, the impacts to ASTCA have not been significant. For cellular operations, the Order outlines that CETC support is to be frozen at the 2011 baseline amount. Beginning July 1, 2012 through June 30, 2013, ASTCA received 80% of that monthly baseline amount, which will continue to decrease by 20% until support is terminated on July 1, 2016. The Order further provides for a Mobility Fund to be implemented in phases. If the Mobility Fund Phase II is not operational by June 30, 2014, the phase-down of CETC support will be halted until Phase II is operational.

The overall reform process will take place in phases and will take several years to implement. Furthermore, the Order includes a Further Notice of Proposed Rulemaking, the FCC has issued numerous Orders for Reconsideration and continues to seek comments on various items. As a result, the ultimate outcome of these proceedings and their impact is uncertain at this time.

#### Subsequent Events

Subsequent events have been evaluated through May 7, 2014, which is the date the financial statements were available to be issued.

### Note 2 - Cash and Cash Equivalents

Cash and cash equivalents presented on the Balance Sheet are as follows:

	<u>2013</u>	<u>2012</u>
Cash on hand	\$ 1,500	\$ 1,500
Cash, checking	2,421,868	2,379,129
Trust account	<u>100,000</u>	<u>100,000</u>
	<u>\$ 2,523,368</u>	<u>\$ 2,480,629</u>

Under the terms of an agreement with the Bank of Hawaii, ASTCA has a minimum balance restriction of \$100,000 on their checking account at September 30, 2013 (\$100,000 for September 30, 2012).

ASTCA has not formally adopted deposit and investment policies that limit ASTCA's allowable deposits or investments and address the specific types of risk to which ASTCA is exposed.

**AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY***(A Component Unit of American Samoa Government)***Notes to Financial Statements**

Years Ended September 30, 2013 and 2012

**Note 3 - Telecommunications Plant**

Property, plant, and equipment activity is as follows at September 30:

	2011	Additions (Reductions)	2012	Additions (Reductions)	2013
<b>Local exchange carrier:</b>					
<u>Non-depreciable assets:</u>					
Land	\$ 31,242	\$ -	\$ 31,242	\$ -	\$ 31,242
Construction in progress, FEMA	78,265	16,874	95,139	(95,139)	-
Construction in progress	4,722,057	3,307,554	8,029,611	12,910,441	20,940,052
Total non-depreciable assets	4,831,564	3,324,428	8,155,992	12,815,302	20,971,294
<u>Depreciable assets:</u>					
Buildings	2,263,374	54,285	2,317,659	3,965	2,321,624
Vehicles and work equipment	2,543,242	145,181	2,688,423	(973,119)	1,715,304
Office furniture and equipment	1,440,212	20,693	1,460,905	285,550	1,746,455
Central office	13,894,475	88,456	13,982,931	984,851	14,967,782
Station apparatus	1,370,930	-	1,370,930	-	1,370,930
Cable and wire facilities	5,658,069	8,500	5,666,569	(26,481)	5,640,088
Total depreciable assets	27,170,302	317,115	27,487,417	274,766	27,762,183
Total local exchange carrier capital assets	32,001,866	3,641,543	35,643,409	13,090,068	48,733,477
<u>Less accumulated depreciation:</u>					
Buildings	(1,331,570)	(76,552)	(1,408,122)	(77,366)	(1,485,488)
Vehicles and work equipment	(2,438,572)	(155,624)	(2,594,196)	1,003,355	(1,590,841)
Office furniture and equipment	(1,428,376)	(19,580)	(1,447,956)	26,781	(1,421,175)
Central office	(12,288,752)	(1,144,980)	(13,433,732)	(768,656)	(14,202,388)
Station apparatus	(1,372,426)	-	(1,372,426)	-	(1,372,426)
Cable and wire facilities	(3,507,338)	(206,772)	(3,714,110)	(209,933)	(3,924,043)
Total accumulated depreciation	\$ (22,367,034)	\$ (1,603,508)	\$ (23,970,542)	\$ (25,819)	\$ (23,996,361)
Total local exchange carrier assets, net	\$ 9,634,832	\$ 2,038,035	\$ 11,672,867	\$ 13,064,249	\$ 24,737,116

**AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY***(A Component Unit of American Samoa Government)***Notes to Financial Statements**

Years Ended September 30, 2013 and 2012

**Note 3 - Telecommunications Plant, continued**

	2011	Additions (Reductions)	2012	Additions (Reductions)	2013
<b>Long distance:</b>					
<u>Non-depreciable assets:</u>					
Construction in progress	\$ 6,101,042	\$ 381,119	\$ 6,482,161	\$ (4,707,626)	\$ 1,774,535
<u>Depreciable assets:</u>					
Building, furniture and vehicles	629,711	6,708	636,419	5,662,957	6,299,376
Digital switching equipment	4,224,000	367,043	4,591,043	(4,140,426)	450,617
Circuit and internet equipment	2,002,007	126,350	2,128,357	17,381	2,145,738
Conduit systems	7,091,417	1,442,644	8,534,061	-	8,534,061
Total depreciable assets	13,947,135	1,942,745	15,889,880	1,539,912	17,429,792
Total long distance capital assets	20,048,177	2,323,864	22,372,041	(3,167,714)	19,204,327
<u>Less accumulated depreciation:</u>					
Building, furniture and vehicles	(308,001)	(29,740)	(337,741)	(116,217)	(453,958)
Digital switching equipment	(4,184,247)	(28,617)	(4,212,864)	4,051,484	(161,380)
Circuit and internet equipment	(1,539,012)	(109,658)	(1,648,670)	(223,440)	(1,872,110)
Conduit systems	(2,244,092)	(170,193)	(2,414,285)	(176,325)	(2,590,610)
Total accumulated depreciation	(8,275,352)	(338,208)	(8,613,560)	3,535,502	(5,078,058)
Total long distance assets, net	\$ 11,772,825	\$ 1,985,656	\$ 13,758,481	\$ 367,788	\$ 14,126,269

**AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY***(A Component Unit of American Samoa Government)***Notes to Financial Statements**

Years Ended September 30, 2013 and 2012

**Note 3 - Telecommunications Plant, continued**

	2011	Additions (Reductions)	2012	Additions (Reductions)	2013
<b>Cellular:</b>					
<u>Non-depreciable assets:</u>					
Land	\$ 8,425	\$ -	\$ 8,425	\$ -	\$ 8,425
Construction in progress	1,096,415	1,242,201	2,338,616	407,689	2,746,305
Total non-depreciable assets	1,104,840	1,242,201	2,347,041	407,689	2,754,730
<u>Depreciable assets:</u>					
Building and vehicles	749,798	9,173	758,971	96,161	855,132
Radio, switching and towers	12,110,280	102,817	12,213,097	(2,884,400)	9,328,697
Total depreciable assets	12,860,078	111,990	12,972,068	(2,788,239)	10,183,829
Total cellular capital assets	13,964,918	1,354,191	15,319,109	(2,380,550)	12,938,559
<u>Less accumulated depreciation:</u>					
Building and vehicles	(393,341)	(28,466)	(421,807)	(23,717)	(445,524)
Radio, switching and towers	(6,064,713)	(918,839)	(6,983,552)	2,513,625	(4,469,927)
Total accumulated depreciation	(6,458,054)	(947,305)	(7,405,359)	2,489,908	(4,915,451)
Total cellular assets, net	7,506,864	406,886	7,913,750	109,358	8,023,108
Total property, plant, and equipment, net	\$ 28,914,521	\$ 4,430,577	\$ 33,345,098	\$ 13,541,395	\$ 46,886,493

Depreciation expense was \$3,114,091 in 2013 (\$2,889,027 in 2012).

**Note 4 - Inter-fund Account with ASG**

Services provided to ASG by ASTCA include charges for telecommunications and are billed to ASG and recorded as receivable in ASTCA's billing system. Amounts billed to ASG were \$995,150 in 2013 (\$1,475,677 in 2012). Amounts receivable from ASG at September 30, 2013 were \$301,064 (\$316,284 at September 30, 2012).

**Note 5 - Retirement Fund**

ASTCA is a member of the American Samoa Government Employees' Retirement Fund (the Fund). The Fund is a cost sharing multiple employer contributory defined benefit retirement fund which was established in 1971 to provide retirement annuities to the employees of ASG. All full-time ASTCA employees, other than contract specialists, are covered by the Fund.



## **AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY**

*(A Component Unit of American Samoa Government)*

### **Notes to Financial Statements**

**Years Ended September 30, 2013 and 2012**

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#### **Note 5 - Retirement Fund, continued**

Normal retirement begins for members at age 55 with 30 years or more of service or upon attaining the age of 65 who have completed 5 years of service. Early retirement can begin at age 55 if the member has 10 or more years of service; however, retirement benefits are reduced. The annual retirement benefit, payable monthly for life, equals 2% of the average annual salary multiplied by the number of years of service up to a maximum of 30 years (from 10% to 60% based upon years of service). The average annual salary is the average of the 3 highest average annual salaries during the last 10 years. The minimum annual benefit is \$1,200. The value of a member's individual account is payable at the member's option either as a single-life annuity or as a qualified joint and survivor annuity. A surviving spouse of an active member, who dies before retirement, but after attaining eligibility for retirement, may receive either a refund of employee contributions with interest or a life annuity equal to one-half the retirement annuity that would have been paid to the deceased member. An additional death benefit of \$2,500 to \$10,000, based on years of service, became payable to survivors of active members of the Fund in November 1992. A surviving spouse of a retired employee receives a \$1,500 benefit.

The Fund issues a stand-alone financial report. It may be obtained by writing to the Director, American Samoa Government Employees' Retirement Fund, Pago Pago, American Samoa 96799.

#### **Funding Policy**

Each member of the Fund contributes 3% of earnings and earns interest at 5% compounded annually. Employee contributions are made through payroll deductions. Employee contributions and the related interest earned are refunded in full to members whose employment is terminated for any reason other than retirement, and as a death benefit to the survivors of deceased employees not yet eligible for retirement. Employees are fully vested in the employer portion, payable as a retirement annuity, after 10 years of participation in the Fund. The employer contribution rate is 8% of total payroll.

#### **Annual Pension Cost**

For the year ended September 30, 2013, ASTCA paid total contributions of \$219,931 (\$219,540 in 2012).

#### **Actuarial Methods and Assumptions**

A summary of principal assumptions and method used to determine the contractually required contributions is shown below.

Employer contribution rates for the period ended September 30, 2013 are based on the actuarial valuation dated October 1, 2012. The frozen entry age normal cost method is used to determine the actuarial value of the Fund's assets. The actuarial assumptions include:

- Investment return of 8%
- Projected salary increases of 5% - 15% per year depending on age, service and type of employment
- Consumer price inflation rate of 3.5%
- Smoothed fair value of assets, which is the market value with a 5 year averaging of the difference between actual and expected investment performance.
- Individual salary growth based on a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.5%

**AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY***(A Component Unit of American Samoa Government)***Notes to Financial Statements**

Years Ended September 30, 2013 and 2012

**Note 5 - Retirement Fund, continued****Trend Information:****Three Year Trend Information**

Year	Contribution Rate	Required Contribution	Percentage Contributed
2011	8.0%	\$ 217,739	100%
2012	8.7%	\$ 219,540	100%
2013	11.2%	\$ 219,931	100%

**Schedule of Funding Progress**

Valuation Date	Accrued Liabilities	Actuarial Assets	Unfunded Liabilities	Funded Ratio	Covered Payroll	UL as a % of Payroll	Total Members
10/1/2008 \$	223,797,326	\$ 214,772,415	\$ 9,024,911	96.0%	\$ 80,846,400	11.2%	6,177
10/1/2009 \$	218,735,408	\$ 216,426,967	\$ 2,308,441	98.9%	\$ 83,226,261	2.8%	6,240
10/1/2010 \$	231,564,190	\$ 217,940,919	\$ 13,623,271	94.1%	\$ 84,563,885	16.1%	6,190
10/1/2011 \$	237,699,693	\$ 212,347,901	\$ 25,351,792	89.3%	\$ 82,389,666	30.8%	6,242
10/1/2012 \$	252,908,578	\$ 204,461,807	\$ 48,446,771	80.8%	\$ 89,771,106	54.0%	6,405

The schedule of funding progress presents multi-year trend information about whether the actuarial value of fund assets is increasing or decreasing over time relative to the actuarial accrued liability.

**Note 6 - Payment in Lieu of Taxes (PILOT)**

Since its establishment in January 1998, ASTCA has had an informal understanding with ASG that ASTCA shall pay an annual amount of \$1,100,000 to fund the repayment of certain ASG debt obligations. This understanding was formalized with the passage of Public Law 29-21 in 2006. This law sets a payment ceiling of no more than \$1,100,000 annually and a sunset upon full payment of all principal and interest of certain obligations of the ASG. ASTCA made PILOT payments in the amount of \$1,100,000 to ASG in 2013 and 2012.

**Note 7 - Leases**

ASTCA has a number of operating lease agreements for various office space, warehouse facilities, and site leases for wireless towers. ASTCA also leases land from ASG under noncancellable operating leases expiring through 2030, with annual rental payments totaling \$94,302 in 2013 and 2012. For the year ended September 30, 2013 total lease expenses were \$2,288,091 (\$1,972,167 at September 30, 2012).

The minimum lease payments under non-cancelable operating leases at September 30, 2013 are as follows:

2014	\$ 2,072,735
2015	1,930,464
2016	1,930,014
2017	1,930,014
2018	1,923,480
2019-2023	1,943,179
2024-2028	414,871
2029-2032	<u>240,773</u>
	<u>\$ 12,385,530</u>

# AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY

(A Component Unit of American Samoa Government)

## Notes to Financial Statements

Years Ended September 30, 2013 and 2012

### Note 8 - Long-Term Debt

Long-term debt consists of the following:

	<u>2013</u>	<u>2012</u>
Broadband Initiatives Program (BIP) loan proceeds received from the American Recovery and Reinvestment Act (ARRA) payable to the Rural Utilities Service (RUS), in monthly installments of \$17,130, including principal and interest at 2.60%, collateralized by real and personal property, due in 2025.	\$ <u>2,117,076</u>	\$ <u>531,940</u>

Future maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>
2014	\$ 152,329	\$ 53,231
2012	156,336	49,224
2016	160,449	45,111
2017	164,671	40,889
2018	169,003	36,557
2019-2023	914,095	113,704
2024-2025	<u>400,193</u>	<u>10,928</u>
	\$ <u>2,117,076</u>	\$ <u>349,664</u>

During 2013, ASTCA drew down \$1,629,009 on the loan and made principal payments of \$43,873. At September 30, 2013, ASTCA has \$7,827,424 in unadvanced loan commitments from RUS.

### Note 9 - Broadband Grant and Loan

In 2010, ASTCA was selected to receive funding for a broadband project by the United States Department of Agriculture through the American Recovery and Reinvestment Act Broadband Initiatives Program (BIP). The broadband project is funded through a \$81,034,763 grant and a \$10,000,000 loan through the Rural Utilities Service (RUS). Amounts requested and received during the year were \$14,829,636 which included grant and loan funds of approximately \$13,200,627 and \$1,629,009, respectively.

All grant and loan funds must be expended by September 15, 2015. Funding is contingent upon meeting the terms of the loan and grant agreements including ASTCA providing no less than \$4,462,000 of resources for the broadband project.

### Note 10 - New Pronouncements

In June 2012, the GASB issued Statement No. 67 *Financial reporting for Pension Plans*, and Statement No. 68 *Accounting and Financial Reporting for Pensions*. Statement 67 revises existing guidance for the financial reports of most pension plans. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position and a statement of changes in fiduciary net position. Statement 67 also enhances note disclosures and required supplementary information (RSI) for both defined benefit and defined contribution pension plans, and requires presentation of new information about annual money weighted rates of return in the notes to the financial statements and in 10-year RSI schedules.

# **AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY**

*(A Component Unit of American Samoa Government)*

## **Notes to Financial Statements**

**Years Ended September 30, 2013 and 2012**

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### **Note 10 - New Pronouncements, continued**

Statement 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. This statement will require governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and RSI. A single or agent employer will also present RSI schedules covering the past 10 years regarding the sources of changes in the components of the net pension liability, ratios that assist in assessing the magnitude of the net pension liability, and comparisons of actual employer contributions to the pension plan with actuarially determined contribution requirements.

ASTCA is in the process of assessing the impact of this statement and will implement it as of the effective date. For ASTCA, statement 67 will be effective for the fiscal year beginning after June 15, 2013, and statement 68 is effective for fiscal years beginning June 15, 2014.

**REPORTS AND SCHEDULES REQUIRED BY OMB CIRCULAR A-133, AUDITS OF  
STATES, LOCAL GOVERNMENTS, AND NONPROFIT ORGANIZATIONS  
AND OTHER REQUIRED REPORTS**

**AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY***(A Component Unit of American Samoa Government)***Schedule of Expenditures of Federal Awards**Year Ended September 30, 2013

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	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture direct programs:		
<hr/>		
ARRA Broadband Initiatives Program	10.787	\$ <u>13,200,627</u>
 Total expenditures of federal awards		 \$ <u><u>13,200,627</u></u>

The schedule of expenditures of Federal awards includes Federal grant activity of the American Samoa Telecommunications Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
American Samoa Telecommunications Authority  
Pago Pago, American Samoa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of American Samoa Telecommunications Authority (ASTCA), which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of revenue, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 7, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered ASTCA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ASTCA's internal control. Accordingly, we do not express an opinion on the effectiveness of ASTCA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that in the aggregate, we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the following deficiencies in internal control over financial reporting, in the aggregate, to be material weaknesses:

**ACCOUNTING AND FINANCIAL REPORTING (REPEATED)**

During the course of the audit, we assisted ASTCA's staff with reconciling account balances and activities and proposing adjustments to the general ledger. Our assistance with the reconciliations and adjustments was expected by management and the accounting staff and all of the proposed adjustments were accepted by management and posted to the general ledger. In some cases the adjustments are brought to our attention by the accounting staff while other adjustments are identified from our audit procedures.

Management is responsible for the controls over the selection and application of accounting principles in conformity with generally accepted accounting principles, and is also responsible for the controls over the period-end financial reporting process. The period-end financial reporting process includes the controls over procedures used to initiate, authorize, record and process transactions and journal entries into the general ledger; record recurring and nonrecurring adjustments to the financial statements, and prepare the financial statements and related notes. Having sufficient expertise in selecting and applying accounting principles is an aspect of such controls. While the accounting staff has the ability to perform daily accounting functions and to prepare monthly financial reports for management purposes, they have chosen to rely on the financial statement auditor to prepare the financial statements and supporting notes. Under the current auditing standards, the financial statement auditor can not be considered part of ASTCA's internal control over financial reporting.

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AKT LLP



Even though management has requested the auditors' assistance in preparing the financial statements and notes, management is still responsible for the financial information presented. In addition, management is responsible for:

- Making management decisions and performing all management functions.
- Designating an individual with suitable skill, knowledge, or experience to oversee services provided by the auditors.
- Evaluating the adequacy and results of the services performed by the auditors.
- Accepting responsibility for the results of the services performed by the auditors.

Because our expertise was required to draft the financial statements and supporting notes in conformity with accounting principles generally accepted in the United States of America, a deficiency exists because an auditor cannot be considered part of ASTCA's internal control over financial reporting.

Management Response:

Management accepts and represents that they have taken responsibility for the financial statements and accompanying notes prepared by and audited by the financial statement auditors.

**SUBSCRIBER ACCOUNTS RECEIVABLE (REPEATED)**

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During the course of our audit, AKT noted that the subscriber accounts receivable balance per the general ledger required significant reconciliation of material amounts to properly agree to the billing system due to activity recorded in the general ledger (uncollectible write-offs, payments, company phone line offsets, etc.) but not posted to the billing system. This does not allow management to review and evaluate subscriber balances for activity on a regular basis and determine if past due amounts are considered collectible in order to pursue collection, adjust the allowance account, or write-off bad debt on a timely basis.

ASTCA has drafted a document establishing policies and procedures for subscriber credit and collections but it has not been formally adopted or fully implemented as of May 7, 2014. Currently, it is the general practice of ASTCA to disconnect for non-payment after 90 days and pursue collection for 2 years before writing off uncollectible accounts. The risk is that subscribers who do not pay regularly or in-full will continue to receive service and that amounts past due will continue to increase, thereby impacting operating revenues.

We recommend that the billing system be thoroughly reviewed in a systematic manner and all accounts with past due amounts be considered for collectability and adjusted as needed. In addition, all reconciling activity between the General Ledger and Billing system should be properly recorded and reflected in each component so that they agree to each other.

In addition, we recommend that the draft of the policies and procedures document for credit and collection be finalized and implemented. As part of this process, we also recommend that the Collections Department track collection activity for all accounts greater than 90 days past due and report to the Finance Department on a monthly basis. In addition, the Finance Department should track all accounts that have not been collected on in the 2 year time period and submit those for approval to write off on a monthly basis to provide for more accurate analysis of the receivable balances.

We also recommend that management monitor and periodically adjust the allowance for uncollectible accounts balance as necessary.

Management Response:

Accounts receivable procedures have been updated and are presently in use to eliminate discrepancies between the general ledger and the billing system. Management has also added new staff to assist in the reconciling, monitoring, and analysis of customer activity as well as improving collection efforts. Final documentation of procedures for accounts receivable and collections will be completed on or before May 30, 2014. Updates to the current policy for collections includes a reduction in the disconnect date from 90 days to 60 days for outstanding balances and implementing payment plans to help reduce delinquent balances. Accounts outstanding and deemed uncollectible for over 180 days will be submitted to the director for review and approval. Upon approval, the billing department will then process the actual write-off in the billing system and the accounting department will post the write-off to the general ledger.

## **PROPERTY, PLANT, AND EQUIPMENT CUT-OFF**

---

During the course of the audit, AKT noted several invoices related to property, plant and equipment that were not properly accounted for in the correct fiscal year because the invoices were for services related to work orders that were still open at year end. As a result, there is a risk that construction in progress and accounts payable would not be accurate. Capturing activity in the proper period is important so that management can actively manage cash, work order progress, and accounts payable.

We recommend that all invoices be processed through accounts payable when received and then a copy of the invoice be routed to the Plant project manager for monitoring, budget tracking, and reporting responsibilities.

### **Management Response:**

Management acknowledges the recommendation and will correct the timing of all transactions to be made in the period the invoices are incurred rather than paid.

## **OTHER RECOMMENDATIONS**

---

During our audit, we became aware of other matters that are opportunities for strengthening internal controls and operating efficiency.

We will review the status of these comments during our next audit engagement. We have already discussed the recommendation with management, and are available to discuss it in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation.

### **Inventory Controls**

AKT noted during the audit of inventory that inventory held for resale is expensed when provided to the resale store, as opposed to when it is actually sold to a customer. This practice does not conform to generally accepted accounting principles. By expensing inventory when it is given to a store ASTCA runs the risk of understating inventory, and overstating expenses as there is no accurate accounting of what is sold and when.

We recommend that inventory is not expensed until it sold to the customer and that the inventory balance reflected in the financial statements include inventory at stores.

### **Management Response:**

Purchases of inventory for resale will be issued to stores as a transfer and labeled as such in the inventory module. The stores will then provide the stock staff with a month-end reporting detailing the quantity of items sold and unsold in order to calculate the cost of goods sold and the ending stock balances. Physical counts must also be completed twice per year, preferably at the end of the 2<sup>nd</sup> quarter and 4<sup>th</sup> quarter to compare and reconcile the quantities on hand to the general ledger balance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether ASTCA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **ASTCA's Response to Findings**

ASTCA's response to the findings identified in our audit is described previously. ASTCA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

*AKT LLP*

Salem, Oregon  
May 7, 2014



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
American Samoa Telecommunications Authority  
Pago Pago, American Samoa

**Report on Compliance for the Major Federal Program**

We have audited American Samoa Telecommunications Authority's (ASTCA) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on ASTCA's major federal program for the year ended September 30, 2013. ASTCA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Compliance with the requirements of laws, regulations, contracts and grants applicable to ASTCA's major federal program is the responsibility of management.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for ASTCA's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ASTCA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of ASTCA's compliance.

**Opinion on the Major Federal Program**

In our opinion, ASTCA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2013.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-04 and 2013-05. Our opinion on each major federal program is not modified with respect to these matters.

ASTCA's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. ASTCA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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### **Report on Internal Control over Compliance**

Management of ASTCA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ASTCA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ASTCA's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

***AKT LLP***

Salem, Oregon  
May 7, 2014



**AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY***(A Component Unit of American Samoa Government)***Schedule of Findings and Questioned Costs**Years Ended September 30, 2013 and 2012

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**Section I - Summary of Auditors' Results**

Type of auditors' report issued: **Financial Statements** Unmodified

Internal control over financial reporting:

Significant deficiency(ies) identified?	<u>  X  </u> yes	<u>      </u> no
Material weakness(es) identified?	<u>  X  </u> yes	<u>      </u> no

Noncompliance material to financial statements noted?

<u>      </u> yes	<u>  X  </u> no
-------------------	-----------------

Internal control over major programs: **Federal Awards**

Significant deficiency(ies) identified?	<u>      </u> yes	<u>  X  </u> no
Material weakness(es) identified?	<u>      </u> yes	<u>  X  </u> no

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with *Circular A-133*, Section 510(a)?

<u>  X  </u> yes	<u>      </u> no
------------------	------------------

Identification of major programs:

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
10.787	ARRA-Broadband Initiatives Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee Under OMB Circular A-133, Section 530? No

## **AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY**

*(A Component Unit of American Samoa Government)*

### **Schedule of Findings and Questioned Costs**

**Years Ended September 30, 2013 and 2012**

---

#### **Section II – Financial Statement Findings**

##### **2013-01 (Material Weakness)**

**Criteria:** Financial reporting in accordance with generally accepted accounting principles, including appropriate disclosures, is the responsibility of management and internal controls should include policies and procedures over financial reporting.

**Condition:** Management has established internal control over financial reporting for its operational purposes. However, these internal controls have not addressed the preparation of the financial statements in accordance with generally accepted accounting principles, including appropriate disclosures.

**Cause:** Due to the size and operations of ASTCA, they have determined that it is cost prohibitive to internally maintain the level of expertise to draft the financial statements and supporting notes in accordance with generally accepted accounting principles.

**Effect:** The auditor has drafted the financial statements and related disclosures. The draft financial statements were submitted to management for review and approval. Management has reviewed the draft financial statements and disclosures and has represented that they have taken responsibility for the statements including disclosures.

**Recommendation:** ASTCA should weigh the benefits and costs of having the auditors draft the financial statement and related disclosures.

##### **2013-02 (Material Weakness)**

**Criteria:** The subscriber accounts receivable balance per the general ledger required significant reconciliation of material amounts to properly agree to the billing system due to activity recorded in the general ledger (uncollectible write-offs, payments, company phone line offsets, etc) but not posted to the billing system.

**Condition:** Adjustments made by ASTCA to subscriber accounts receivable are not reflected in both the general ledger and the billing system. Amounts for uncollectible accounts receivable have been written off in the general ledger but not in the billing system as it is a time consuming process and ASTCA has a limited number of accounting staff who can perform this process.

**Cause:** Until mid-2013, the responsibility for these items has been assigned to one individual which did not provide for adequate time to process historical write offs in the billing system.

**Effect:** The general ledger and the billing system do not agree unless these reconciling items of material amounts are included.

**Recommendation:** *ASTCA has hired an employee whose primary responsibility is to post all necessary adjustments in the billing system so that it agrees with subscriber accounts receivable activity in the general ledger. Once all historical activity has been captured in the billing system, the general ledger and billing system should be reconciled to agree to each other on a regular basis.*

##### **2013-03 (Material Weakness)**

**Criteria:** All financial statement activity should be accounted for in the proper period to achieve correct cutoff.

**Condition:** Several invoices relating to property, plant and equipment were identified during our testing of property, plant, and equipment and allowable costs that were not accounted for in the correct period.

## **AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY**

*(A Component Unit of American Samoa Government)*

### **Schedule of Findings and Questioned Costs**

**Years Ended September 30, 2013 and 2012**

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**Cause:** The Plant Project Manager collected all the invoices for the BIP work order to prepare the Financial Requirement Statement (FRS) to submit to RUS for reimbursement of BIP funds.

**Effect:** The auditor made material adjusting entries to record these invoices in the correct period.

**Recommendation:** All invoices should be processed through accounts payable and a copy of the invoices related to property, plant and equipment can be routed to the Plant Project Manager for their tracking and reporting purposes.

### **Section III – Federal Award Findings and Questioned Costs**

#### **2013-04**

**Federal Program:** Broadband Initiatives Program

**Federal Agency:** Department of Agriculture

**Award Year:** 2013

**Condition:** ARRA Section 1512 quarterly reports were filed with quarterly data rather than cumulative data.

**Context:** No later than 10 days after each calendar quarter in which the Awardee receives the assistance award funded in whole or part with Award funds, the Awardee shall submit through <http://www.federalreporting.gov> the information required by 2 C.F.R. 176 (ARRA Section 1512 Reports).

**Recommendation:** AKT recommends that ASTCA use cumulative rather than quarterly cash receipts and expenditures.

**Responsive and Corrective Action Plan:** Management has discussed with the appropriate personnel the requirement that data be reported on a cumulative basis and believes the issue has been resolved.

#### **2013-05**

**Federal Program:** Broadband Initiatives Program

**Federal Agency:** Department of Agriculture

**Award Year:** 2013

**Condition:** The coverage of the theft insurance policy lapsed on February 10, 2012.

**Context:** In accordance with RUS Broadband Initiatives Program Loan/Grant and Security Agreement dated October 6, 2010, Article V Section 5.11(c): General Insurance Requirements: The Awardee shall take out and maintain fidelity bond or theft insurance coverage with RUS as a loss payee in the amount of \$500,000.

**Recommendation:** AKT recommends that ASTCA renew and maintain the theft insurance policy as required per the Security Agreement.

**Responsive and Corrective Action Plan:** Management has already put in a place a new policy that became effective January 1, 2014.

**AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY**

*(A Component Unit of American Samoa Government)*

**Schedule of Findings and Questioned Costs**

**Years Ended September 30, 2013 and 2012**

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***Prior Audit Findings: Finding 2012-01; Reporting***

**Condition:** ARRA Section 1512 quarterly reports were not filed within 10 days of the quarter-end.

**Current Status:** This has been resolved and AKT noted no instances during the current audit of reports being filed late.

***Finding 2012-02; Insurance Coverage***

**Condition:** In accordance with RUS Broadband Initiatives Program Loan/Grant and Security Agreement dated October 6, 2010, Article V Section 5.11(c): General Insurance Requirements: The Awardee shall take out and maintain fidelity bond or theft insurance coverage with RUS as a loss payee in the amount of \$500,000. Their insurance policy lapsed on February 10, 2012.

**Current Status:** See finding 2013-05.

**Certification - Reporting Carrier  
Data Collection Form**

FCC Form 481


OMB Control No. 3060-0986

OMB Control No. 3060-0819

April 2014

<010> Study Area Code	673900
<015> Study Area Name	AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY, LOCAL EXCHANGE CARRIER DIVISION
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	CELESTE ANNANDALE
<035> Contact Telephone Number - Number of person identified in data line <030>	684-699-1121
<039> Contact Email Address - Email Address of person identified in data line <030>	<a href="mailto:CELESTE.ANNANDALE@ASTCA.NET">CELESTE.ANNANDALE@ASTCA.NET</a>

**TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:**

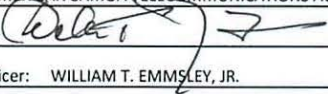
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier: AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY, LOCAL EXCHANGE CARRIER DIVISION	
Signature of Authorized Officer: 	Date: 7/1/14
Printed name of Authorized Officer: WILLIAM T. EMMSLEY, JR.	
Title or position of Authorized Officer: EXECUTIVE DIRECTOR	
Telephone number of Authorized Officer: 684-699-1121	
Study Area Code of Reporting Carrier: 673900	Filing Due Date for this form: 7/1/2014
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**Certification - Reporting Carrier  
Data Collection Form**

 FCC Form 481  
 OMB Control No. 3060-0986  
 OMB Control No. 3060-0819  
 April 2014

<010> Study Area Code	679001
<015> Study Area Name	AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY - INTEREXCHANGE CARRIER DIVISION
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	CELESTE ANNANDALE
<035> Contact Telephone Number - Number of person identified in data line <030>	684-699-1121
<039> Contact Email Address - Email Address of person identified in data line <030>	CELESTE.ANNANDALE@ASTCA.NET

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier: AMERICAN SAMOA TELECOMMUNICATIONS AUTHORITY, INTEREXCHANGE CARRIER DIVISION	
Signature of Authorized Officer: 	Date: 7/1/14
Printed name of Authorized Officer: WILLIAM T. EMMSLEY, JR.	
Title or position of Authorized Officer: EXECUTIVE DIRECTOR	
Telephone number of Authorized Officer: 684-699-1121	
Study Area Code of Reporting Carrier: 679001	Filing Due Date for this form: 7/1/2014
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	